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FM AMEMBASSY COTONOU
TO RUEHC/SECSTATE WASHDC 0251
INFO RUEHDK/AMEMBASSY DAKAR 1427
RUEHFR/AMEMBASSY PARIS 1247
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEHZK/ECOWAS COLLECTIVE
RUEHLMC/MILLENIUM CHALLENGE CORP WASHDC

UNCLAS COTONOU 000188

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SUBJECT: BENIN - IMF FOURTH REVIEW, 4TH QUARTER 2007

¶1. SUMMARY: An IMF team visited Benin, March 3-18, 2008 for the to review the country's economic performance in the last quarter of ¶2007. The team shared its generally favorable conclusions with international donors on March 18. However, the IMF team urged the GOB to continue to improve economic performance and implement structural reforms to render the economy more competitive. END OF SUMMARY.

¶2. According to the team growth trends remained positive. Real GDP is 4.6% and projected to reach 5.3% in 2008. However, the economy would perform better if the implementation of structural reforms did not delay and there was not a decrease in cotton production either.

¶3. The team noted that the tertiary sector is doing very well. Traffic at the port has increased and positively impacted the transportation sector. Year 2007 imports of fuel totaled 170 billion CFA (USD 400 million) compared to 131 billion CFA (USD 300 million) in 2006. In 2007, the telecommunications sector, including GSM, generated about 61 billion CFA (USD 145 million) in revenues.

¶4. The inflation rate is 1.3 percent, well below the WAEMU rate of 3 percent. Nonetheless, the country witnessed a strong increase in prices, even beyond 3 percent on high consumption goods. The team expects that the surge in prices will slow down and stabilize in the near future.

¶5. The team praised GOB budget implementation. Fiscal pressure has increased by 20 percent, and the revenue collection trend improved. Regarding expenditures, Benin is within the limits of its budget provisions. The implementation rate of the investment budget has increased by 67 percent against 56 percent in 2006, but remains weaker than anticipated under the program. The GOB is struggling to spend international donor funds. However, the country's money supply has increased by 18 percent. The balance of payments is positive, external credit has been increased to CFA 84 billion (USD 200 million.)

¶6. The IMF team expressed its concerns about the challenges with respect to structural reforms. The cotton, electricity and telecoms parastatals are yet to be privatized. However, the GOB has reaffirmed its intention to implement these reforms as of December 2008 or the first quarter of 2009 after assessing the state owned companies' assets. The IMF encourages the GOB to speed up the single tax identification process, the national pension funds, and the study on Benin customs efficiency.

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